

<p align="center"><b>2003-2004</b> <b>ANNUAL REPORT</b></p>
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## SPECIAL REVENUE FUNDS (CONT'D.)

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### Community Facilities Revenue Fund

The Community Facilities Revenue Fund was established to account for the financing and operation of the Ice Centre of San José and the Hayes Conference Center.

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#### *Community Facilities Revenue Fund*

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 5,461	\$ 3,013	\$ (2,448)	(44.8%)
<i>Expenditure</i>	4,033	2,547	\$ 1,486	36.8%
<i>Fund Balance (est.)*</i>	3,744 *	3,057	\$ (687)	(18.3%)

The \$2.5 million revenue variance is due to the forgiving of rent payments for the Hayes Mansion facility from July 2003 thru October 2003, and the forgiving of the Line of Credit repayment when the previous operator's lease agreement was terminated effective October 31, 2003. In addition, rent payments for the Hayes Mansion were forecasted to be received through June 2004; however, future rental payment obligations ceased when the lease was terminated, resulting in a negative economic impact on this fund. Ice Centre rental payments were also below budgeted level.

The \$1.486 million expenditure variance primarily reflects savings being realized from the Ice Centre and Hayes Mansion variable rated bonds. Based on the allocation of funding from the Ice Centre and Hayes Mansion, there was enough cash in the debt service funds to pay the Ice Centre's debt service and a portion of the Hayes Mansion debt service payments.

The previous operator of the Hayes Mansion facility was retained to manage the facility for the period November 1, 2003 through December 31, 2003 under the terms of an interim operation and management agreement with the City. Effective January 1, 2004, however, Dolce International/San José, Inc. (Dolce) was appointed the new manager of the facility under the terms of a ten-year (with options to extend) management agreement with the City. As part of the agreement, Dolce transfers the necessary money from Hayes Mansion operations to this fund for debt service and to reimburse the City for some operating costs, such as insurance. In initial projections of operating results for 2004-2005, it was assumed that revenues plus draws from a line of credit with Comerica Bank would be sufficient to cover expenses for the Hayes Mansion, including debt service on the Hayes Mansion bonds. Recent projections indicated however that although there will be some improvement in revenues in 2004-2005, compared to 2003-2004,

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## SPECIAL REVENUE FUNDS (CONT'D.)

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### Community Facilities Revenue Fund (Cont'd.)

collection will not occur at a level sufficient to fully cover operating expenses plus debt service on the Hayes Mansion bonds. Therefore, a transfer and loan from the General Fund in the amount of \$1.0 million is recommended in this report to assist in the payment of debt service for the facility in the coming year. It is still expected that this \$1.0 million along with the previous \$5.0 million loan, will eventually be repaid to the City.

For 2004-2005, all revenues and expenditures related to the Ice Centre facility will appear in a separate fund, the Ice Center Revenue Fund.

The lower than expected fund balance is the result of lower than estimated revenues combined with lower than estimated expenditures. The fund balance is intended to remain in reserve for future debt service payments.